



REACHING
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MORE

2013-15 CHE Higher Education Biennial Budget Recommendation

Indiana State Budget Committee
Presentation

December 17, 2012





Review of Budget Process

- December 2011 – Commission voted on new performance funding formula metrics
- Summer of 2012 – CHE Budget and Productivity Committee recommended weighting of metrics in formula
- August 2012 – Commission voted on weighting of metrics in PFF
- September/October 2012 – Institutions presented budget requests to Commission
- October through December 2012 – Budget and Productivity Committee discussed budget recommendation
- December 2012 – Commission approved the 2013-15 budget recommendation for higher education





Budget Recommendation – Commission Review

- Focused on components of the overall higher education budget, not the total figure.
- Align recommendation to *Reaching Higher, Achieving More*
- Financial aid will have a large impact on the budget, but should not take away from the funding priorities of other areas of the higher education budget.
- Focused on improving student success, improving completion, insuring affordability and increasing the state's support for higher education.
- Link increased support for higher education with a commitment to keep college affordable
 - Keeping tuition and fee increases at the increase of CPI (or other similar index)





Key Focus Points – Commission Review

- Operating and Student Financial aid were the major focus points of the recommendation:
 - Both represent 87.6% of the total higher education budget.
- Focused on additional investments per resident student full time equivalent and improving student performance with regards to increasing the operating budget via the performance funding formula.
- Focus on efficiently providing state student aid with incentives while streamlining delivery of state student aid.
 - Address issues of progression and completion while meeting the needs of students on state financial aid (21st Century Scholars)





Components of the Higher Education Budget

- **Operating** – largest portion of the higher education funding, direct state support to institutions
- **Student Financial Aid** – state tuition and fee support to students attending postsecondary institutions in Indiana
- **Debt Service/Capital** – state support for academic/administrative buildings bonded through student fees
- **Institution Line Items** – specific line items housed within institutions for programs and services outside of the general institution operations
- **Repair and Rehabilitation** – state support for the maintenance and upkeep of academic/administrative buildings
- **Other Higher Education Line Items** – state support for higher education functions such as: CHE, Medical Education Board, leases, Statewide Transfer Website, Budget Agency, etc.





Operating Funding

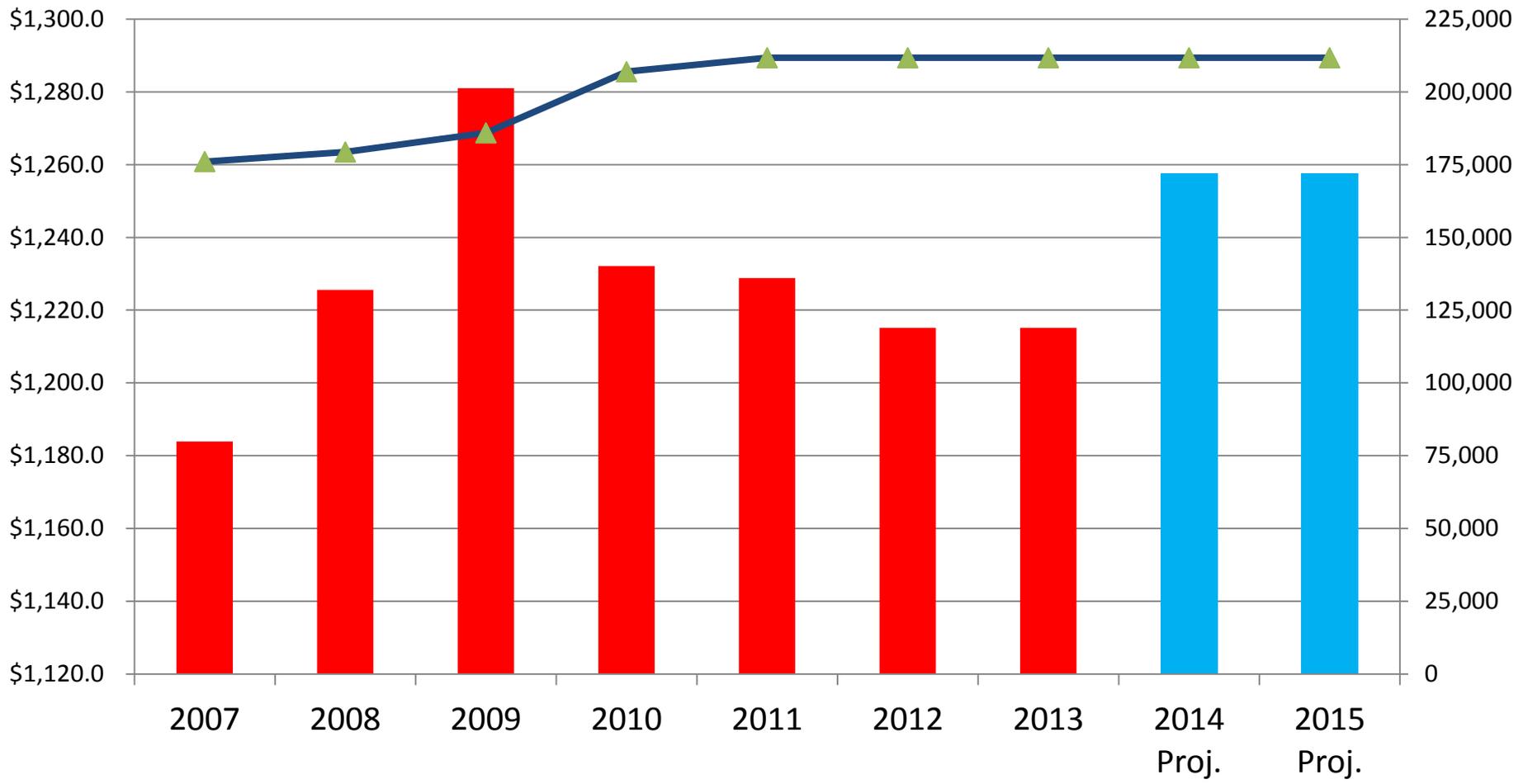
- Main Focuses:
 - Additional investment per resident student full time equivalent
 - Increase performance funding allocation: Currently 5%
- Current funding per resident student:
 - Actual 2011 - \$4,927
 - Estimated 2013 - \$4,886
 - Recommended 2015 - \$5,068 (3.7% increase from 2013)
- Assumes 6% (2014) and 7% (2015) for performance funding with financing from new state dollars and reallocation from the base





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Historical Operating Budget – General Fund (\$'s in thousands)



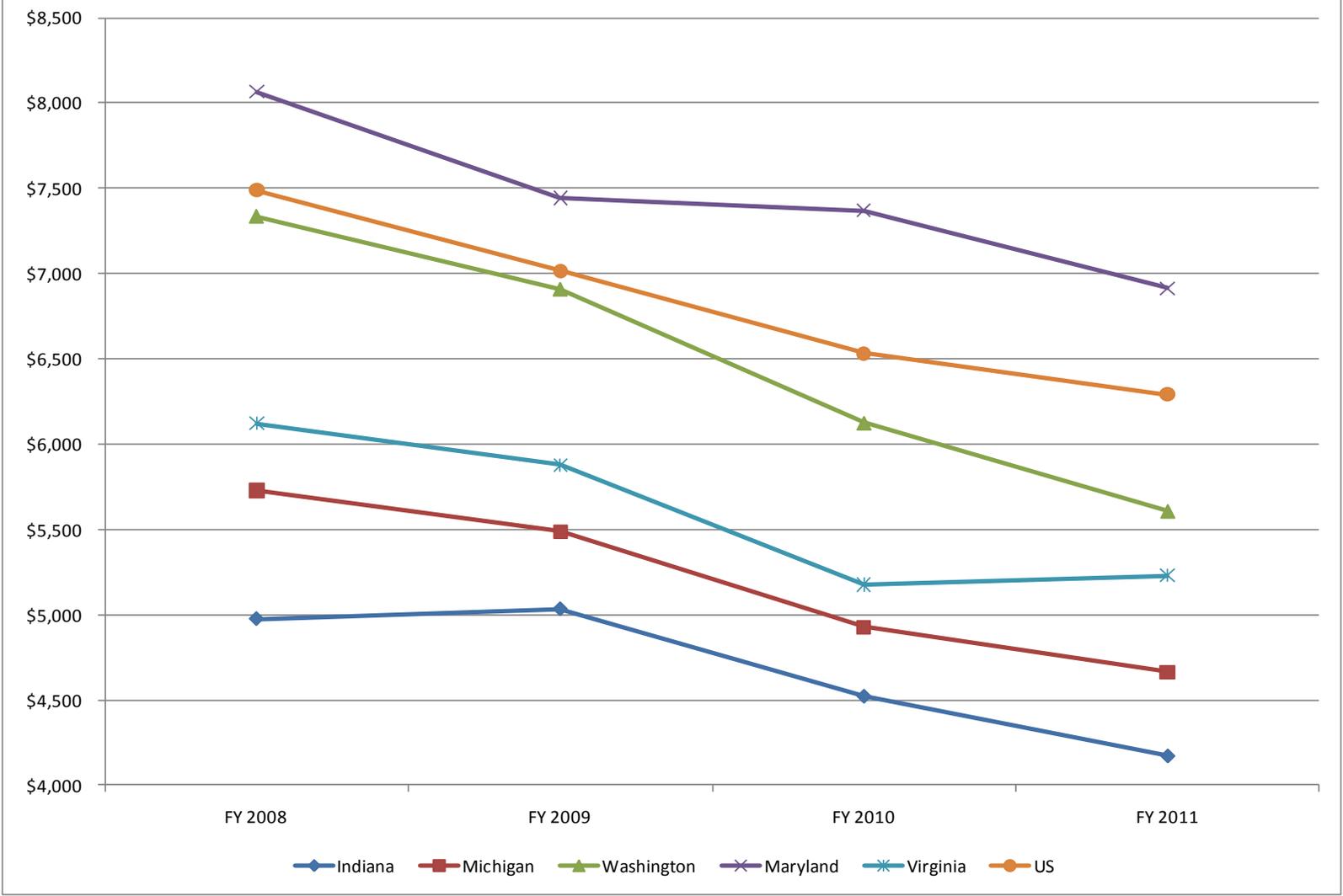
■ Budget —▲ Resident FTE Enrollment





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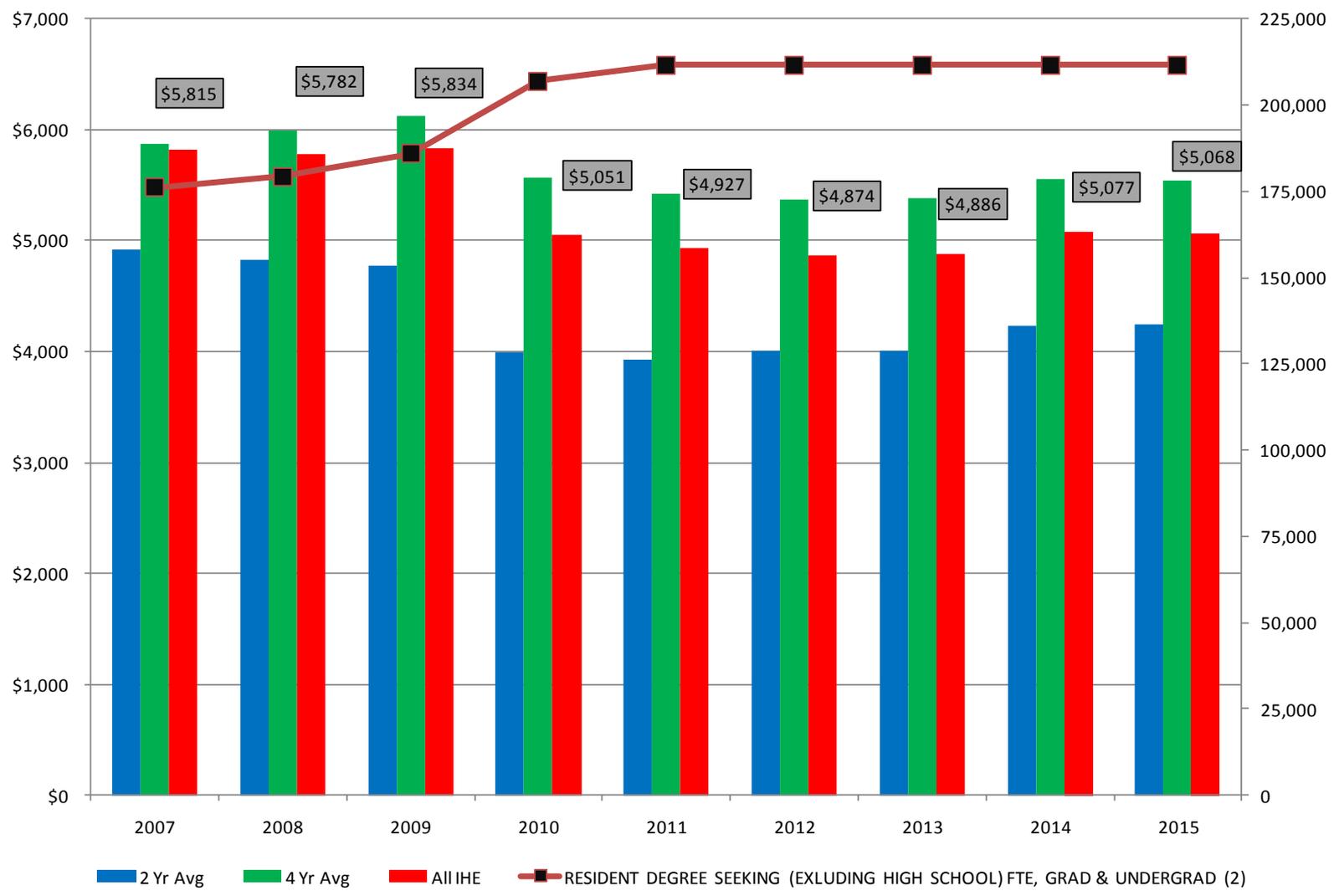
2008 through 2011 SHEF State Funding per FTE





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Operating Funding per Resident FTE and FTE Count 2007 - 2015





State Financial Aid Funding

- Implement many of the HCM Strategist recommendations for FOB and 21st Century Scholars (impact in 2015)
- Recommend truth in budgeting for 21st Century Scholars starting in 2014
- Keep small grant award programs flat from 2013
- Shift Division of Student Financial Aid administration funding to CHE Administration as part of the agency merger
 - No longer charge staff salary and benefits to award programs





State Financial Aid Programs

	Base Appropriation	2014 Approp. Proj.	2015 Approp. Proj.	\$ Change 2013 to 2014	\$ Change 2013 to 2015	% Change 2013 to 2015
Higher Education Award (FOB)	\$156,520,749	\$119,307,964	\$100,747,535	(\$37,212,785)	(\$55,773,214)	-35.6%
Freedom of Choice Award (FOB)	\$53,369,953	\$45,062,762	\$38,052,465	(\$8,307,191)	(\$15,317,488)	-28.7%
21 st Century Scholars Awards	\$29,109,298	\$109,637,450	\$120,108,163	\$80,528,152	\$90,998,865	312.6%
Children of Veteran Officers	\$26,619,114	\$27,190,589	\$28,701,041	\$571,475	\$2,081,927	7.8%
Other Award Programs	\$12,211,760	\$11,569,176	\$11,666,063	(\$642,584)	(\$545,697)	-4.5%
Administration	\$2,720,578	\$1,899,858	\$1,899,858	(\$820,720)	(\$820,720)	-30.2%
TOTAL	\$280,551,452	\$314,667,799	\$301,175,125	\$34,116,347	\$20,623,673	7.4%

- Assumes all 21st Century Scholars are paid from 21st Century funds only (truth in budgeting). Assumes HCM changes are implemented for FOB and 21st Century Scholars (impact starts 2015). Assumes SFA Admin combined with CHE Admin, assumes minor changes in CVO and National Guard awards.





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FOB and 21st Century Scholar Funding (\$'s in millions)

	2012 Approp	2012 Actual	2013 Approp	2013 Est.	2014 Proj.	2015 Proj.
HEA	\$153,761,566	\$128,598,475	\$156,520,749	\$118,966,393	\$119,307,964	\$100,747,535
FOC	\$52,429,136	\$22,019,278	\$53,369,953	\$42,775,513	\$45,062,762	\$38,052,465
21CS	\$29,109,298	\$90,030,046	\$29,109,298	\$99,573,676	\$109,637,450	\$120,108,163
TOTAL	\$253,300,000	\$240,647,799	\$239,000,000	\$261,315,582	\$274,008,176	\$258,908,163

- Up to fiscal year 2013, 21st Century Scholars are funded from HEA, FOC and 21st Century Scholars funds, but the appropriation has not reflected actual costs for the three major grants.

- CHE recommends “truth in budgeting” for all three programs so that students in 21st Century Scholars are paid directly from the 21st Century Scholar appropriation.

- The recommendation for HEA and FOC does not reduce the award caps for students who qualify for these awards, it simply reallocates funding to the proper award programs.

- Historically, fund balances that built up over several fiscal years were drawn down during years where 21st Century Scholar spending outpaced the appropriation and supplemental funding from HEA and FOC.



Higher Education Capital Projects

- Recommend funding both previously authorized and new projects
- Focus on projects that renovate current structures, reduce deferred maintenance of buildings, high priority ranked projects and projects that improve space needs for campuses
- Consider the impact on student fees and state support for capital projects (debt service)





Recommended Capital Projects

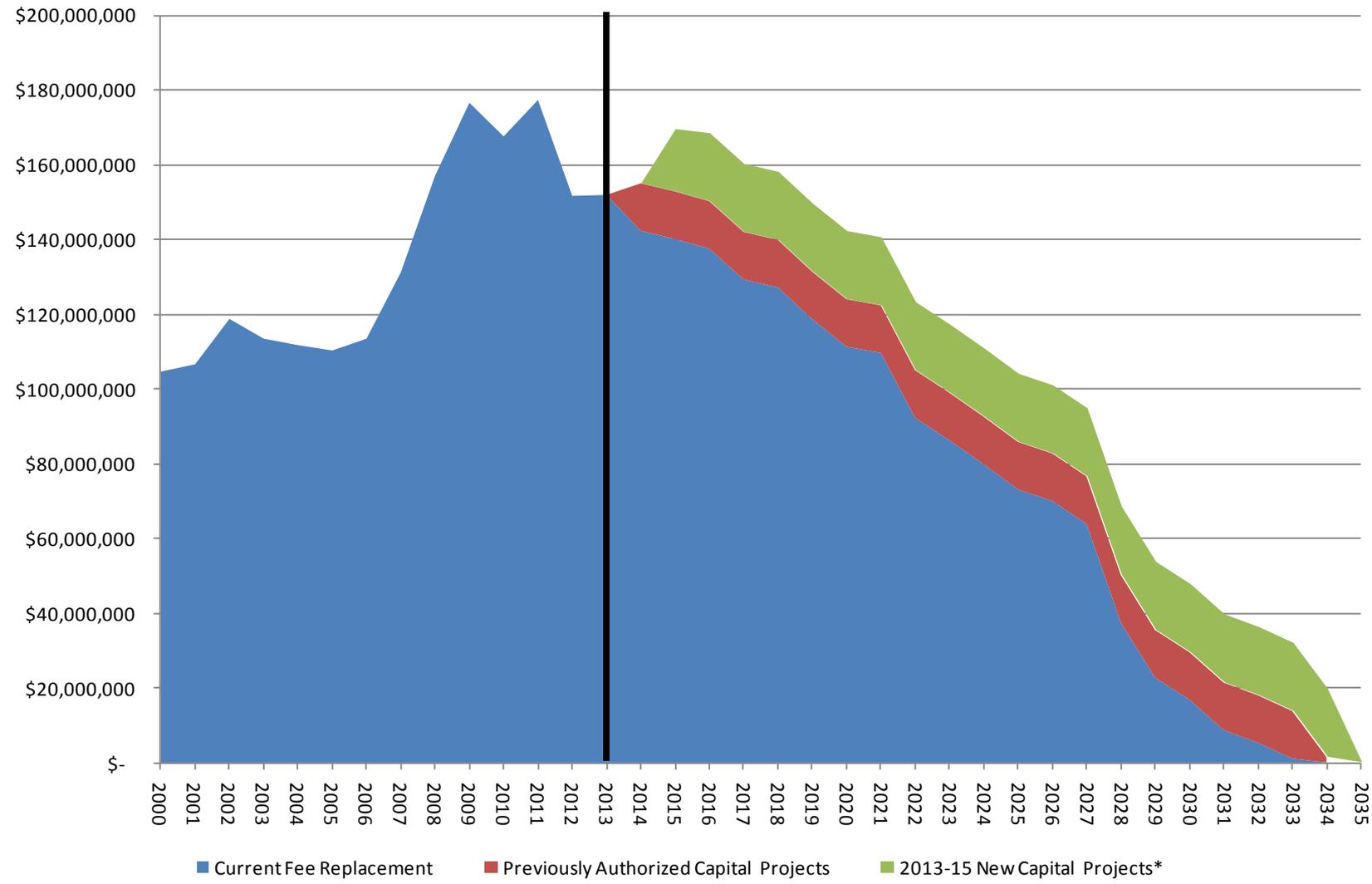
- Ball State Central Campus Renovation Phase II A - \$12.2M
- Ball State Geothermal Phase II - \$33.1M
- Indiana State Lab Renovation Phase II - \$4.5M
- Indiana State Normal Hall Renovation - \$16.0M
- Ivy Tech Anderson Facility - \$20.0M
- Ivy Tech Bloomington Facility - \$20.0M
- Ivy Tech Indianapolis Fall Creek Final Phase - \$23.1M
- Ivy Tech Gary/IU Northwest Joint Facility - \$45.0M
- IU Bloomington Academic Core Renovation - \$21.0M
- IU Regional Campus Renovation - \$29.0M
- IU School of Medicine Expansion - \$25.0M
- PU West Lafayette Active Learning Center - \$50.0M
- IPFW South Campus Renovation - \$21.4M
- USI Classroom Renovation/Expansion - \$18.0M
- VU Aviation Technology Center Renovation - \$6.0M





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Higher Education Debt Service Appropriations and Est. Spend





Repair and Rehabilitation Support

- New formula developed in 2012
- Focus on investment allocation target to support maintenance and upkeep on academic/administrative buildings
 - 1.0% per year of current facility and infrastructure value - \$114.0M per year target
- Recommend repair and rehabilitation funding as partnership between state and institutions
- Recommend state support of investment goal at **25%** each year - **\$28.5M** from state in 2014 and 2015
- Institution estimated support of investment goal at **62%** each year - **\$70.3M** in institution resources in 2014 and 2015
- Total estimated support for repair and rehabilitation both state and institution - **\$98.8M** per year, **87%** of investment allocation target
- Total deferred maintenance as of 2012: **\$1.8B**
- Total expenditures for repair and rehabilitation compared to capital plant value – **0.72%**





Higher Education Line Items

- For institution focused line items,
 - recommend an increase of no more than 3.5% on specific line items based on staff analysis
 - Does not include funding for major program initiatives for Purdue and Vincennes, need more discussion
 - Funds dual credit at \$8.3M per year based on 2010-11 priority level dual credit course completion
- For Other higher education line items:
 - Most line items held flat from 2013, some specific line items increase no more than 3.5%
 - Includes funding for research-related campuses by focusing on specific research projects that benefit the state and the institution (potentially run through IEDC)
 - Fund Learn More Indiana operations





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Overall Higher Education

Budget Recommendation Summary

	Base	2014 Proj.	2015 Proj.	\$ Change 2013 to 2014	\$ Change 2013 to 2015	% Change 2013 to 2015
Operating	\$1,215,309,286	\$1,257,470,334	\$1,257,469,740	\$42,161,047	\$42,160,453	3.5%
Debt Service	\$149,507,349	\$154,718,619	\$169,220,240	\$5,211,270	\$19,712,891	13.2%
R&R	-	\$28,492,947	\$28,492,947	\$28,492,947	\$28,492,947	-
IHE Line Items	\$44,360,108	\$54,715,739	\$53,836,479	\$10,355,361	\$9,476,371	21.4%
Student Financial Aid	\$280,551,452	\$314,667,799	\$301,175,125	\$34,116,347	\$20,623,673	7.4%
Other Higher Ed Line Items	\$9,385,167	\$16,863,596	\$16,964,596	\$7,478,429	\$7,579,429	80.8%
Dedicated Line Items	\$5,615,134	\$5,663,848	\$5,617,102	\$48,714	\$1,968	0.0%
TOTAL	\$1,704,728,496	\$1,832,592,882	\$1,832,776,229	\$127,864,386	\$128,047,733	7.5%

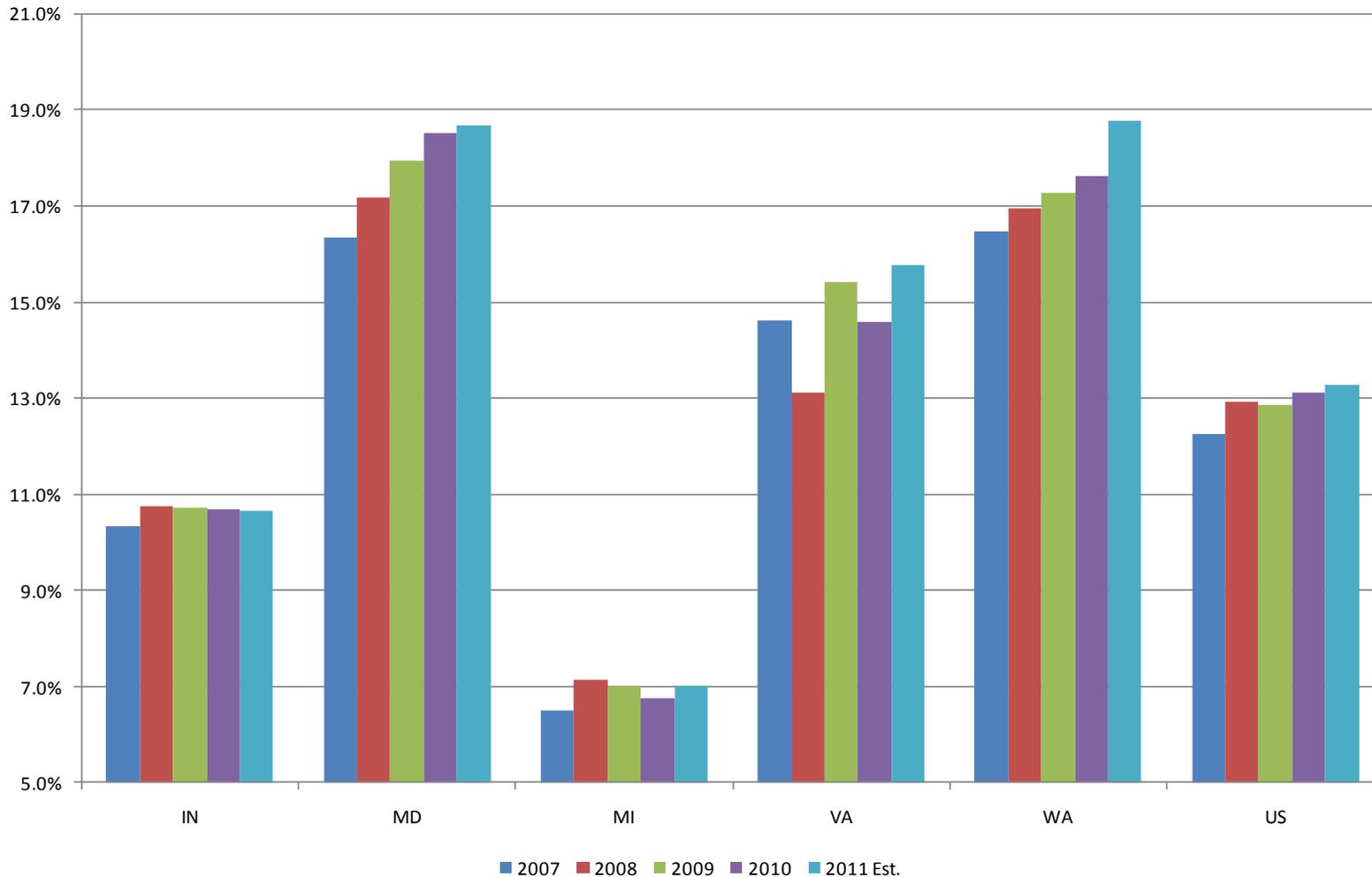
- In 2013, the general fund state support for higher education is **12.1%** of the total state general fund. Assuming the total state general fund is held flat from 2013, the recommendation would increase the higher education share to **13.0%** in 2014 and 2015.





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Higher Education Funding Compared to Total State Funds Expenditures (NASBO)



Wrap Up

- Increased investment for higher education means:
 - Additional financial support per resident student
 - Continued support for state financial aid programs
 - Increased state investment in higher education to meet completion and attainment goals
 - Maintaining affordability for students, keeping tuition and fee increases at or below the growth in CPI
 - Increased state support for capital investment and maintenance of facilities
- Increased investment for meeting the goals and initiatives of *Reaching Higher, Achieving More*

